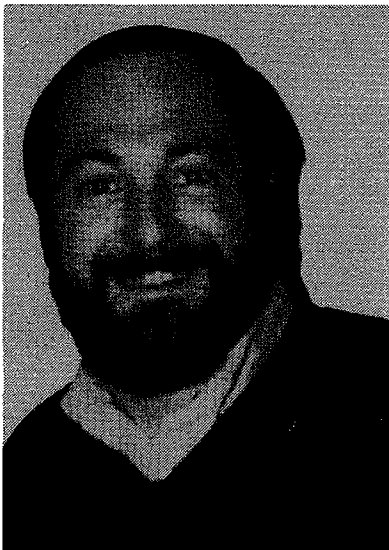


THE EFFECTS OF CHANGES IN THE GUARANTEED STUDENT LOAN PROGRAM

Donald R. Moore

As the Guaranteed Student Loan Program (GSLP) changed from a loan of convenience to a loan of need under the Higher Education Amendments of 1972, a hue and cry was heard nationwide. Predictions were that these changes would limit the number of loans processed, would limit the amount of these loans, and would reduce access to higher education. The fear was that access to higher education would be open to the wealthy and the indigent, but the middle class (whatever that is) would be hampered by changing regulations from seeking the advantages of higher education.

Throughout 1972 these cries continued. United Student Aid Funds recommended that we write our legislators; professional organizations attempted to build a groundswell of support for a change in midstream (with a more disastrous effect than one could imagine, witness the summer of 1971). No changes were made. Financial Aid Administrators received letters from Rep. O'Hara, Chairman of the Special Sub-committee on Education, telling them to be lenient and use their professional judgments (which were being used anyway) in recommending loan amounts. But in all the confusion no one really published any solid figures on this disruptive effect of the changed GSLP. The real question has not even been asked: "Was there a disruptive effect caused by the "need" imposition on the guaranteed student loan program?" The purpose of this study was to explore this question.



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State University College at Cortland

State University of New York College at Cortland (SUCC) is a moderate size, co-educational, liberal arts, public institution. The following enrollment figures at SUCC represent headcount rather than full time equivalent:

1971-72 — 4272 undergraduates	1293* graduate students	5565 total
1972-73 — 4259 undergraduates	1224* graduate students	5483 total
1973-74 — 4849 undergraduates	1225* graduate students	6074 total

*More than 80% of these were part-time students and may not have been eligible for financial aid.

The college participates in most of the major forms of Federal student aid, including the National Direct Student Loan, Supplemental Educational Opportunity Grant, College Work-Study, Law Enforcement Education, and Basic Educational Opportunity Grant Programs. Besides obtaining assistance through these programs, most students receive some form of State tuition help. The students were generally all residents of New York State and ranged in socio-economic levels from low to high with a preponderance of the students in the "middle class" category.

The Guaranteed Student Loan Program at State University College at Cortland

Table I shows the breakdown by month of the loans issued to students at State University College at Cortland for the past three years. Although the data are not complete, and are for only one institution, they provide some food for thought. The years chosen are particularly applicable since 1971-72 loans were strictly "loans of convenience" and the program was unchanged from the previous year. The year 1972-73 represents the beginnings of the aberration of the Guaranteed Student Loan Program. In 1971-72, 257 loans in the amount of \$293,490 were approved in June. In June 1972-73, 15 loans were approved in the amount of \$12,400. As aid administrators will recall the GSLP was experiencing some major changes at that time which caused total confusion and chaos; it was not until August 18, 1972 that the situation was finally resolved.

Table I. Guaranteed Student Loan Program at the
State University College at Cortland

Month	1971-72		1972-73		1973-74	
	Borrowers	\$ Amount	Borrowers	\$ Amount	Borrowers	\$ Amount
June	257	\$293,490	15*	\$ 12,400	211	\$247,200
July	494	568,670	293	365,990	267	325,900
August	466	529,760	613	702,780	444	534,510
September	126	135,780	293	340,440	214	234,360
October	48	48,350	63	69,310	100	111,050
November	45	45,900	70	65,310	74	79,760
December	39	33,870	58	54,830	45	47,990
January	72	61,400	81	70,540	74	69,380
February	32	23,220	51	45,700	41	30,780
March	13	6,520	13	9,220		
April	5	4,320	4	4,120		
May	15	12,400	16	14,030		
Totals	1657	\$1,763,680	1590	\$1,754,670	1470	\$1,680,930

* Represents the "June of 1972" when GSL's were being held up pending legislation and clarification.

Using the College's enrollment statistics which declined in 1972-73 and then rose again in 1973-74, a percent of the total population who were student borrowers can be derived. In 1971-72 almost 30% (29.77%) of the students borrowed educational loans through the GSLP. In 1972-73, after the hesitant start, over 28% (28.63%) of the students secured educational loans through the GSLP. In 1973-74, slightly over 24% (24.20%), of the students have borrowed from the GSLP to help finance educational costs. This last figure is misleading because not all the facts are in at this writing; accordingly an estimate of a reasonable number of guaranteed student loans that will be processed between now and the end of the semester will be made. In 1971-72, 95.29 percent of the student borrowers had processed loan applications by February of 1972; in 1972-73 this figure was 97.89%. By the end of February almost all students who are going to use GSLP have done so with only a 3%-5% processing rate of applications after that. Averaging the percent figures for 1971-72 and 1972-73, yields 96.59% of the students processing loans by the end of February. By extending this pattern to 1973-74, 1470 students represents 96.59% of the students who should borrow from the GSLP this year. Thus, an estimated 1522 student borrowers, representing 25.05% of the total student population, can be expected to participate in the GSLP in 1973-74.

Discussion

Initially, the first conclusion is that the number of student borrowers will be less in 1973-74 than it was in either of the two preceding years and the percentage of borrowers in the student population has declined. This conclusion is not so meaningful when the figures are examined a little more closely, because some factors enter into consideration that may alter the conclusion.

Using real figures, those from June-February, 1579 students borrowed \$1,740,440 in 1971-72. In 1972-73, 1537 students borrowed \$1,727,300 and in 1973-74, 1470 students borrowed \$1,680,930. One factor immediately apparent is that the number of borrowers declined in 1972-73 and again in 1973-74. In 1972-73, 42 fewer students borrowed through the GSLP than in 1971-72. In 1973-74, 67 fewer students borrowed through the GSLP than in 1972-73. Generally, these decreases are not explainable except to speculate, first, that in 1973-74 the Basic Education Opportunity Grant Program may have aided some students who, without this grant, would have had to borrow money for their education.

SUCC, during this time, did not experience healthy increases in other federal aid programs. Secondly, there may be a trend developing among students away from borrowing money to finance their education. This trend could be coupled with the depressed job market which students are now facing. When jobs were more plentiful and absorbing all the graduates, the institution produced students willing to borrow money for their education because they could be reasonably assured of finding a job and thus having the ability to repay loans. Now that the job market has contracted, there appear to be fears among students that they may not be able

to repay these loans. Thirdly, there is a change in attitudes towards higher education among some students. At one period higher education was the salvation, the end all and be all. When that attitude persisted loans were more attractive. However, many students are seeking alternate life styles with the realization that borrowed money will only hinder them and hence there is little value in becoming debtors.

To continue the analysis, it is necessary to take another look at the figures from June to February. In 1971-72 the average GSL was \$1,102; in 1972-73 the average was \$1,124; in 1973-74 the average is \$1,143. Each year since 1971-72 the average loan per student has increased so that presently students with loans for their education are borrowing \$41 more than their counterparts in 1971-72. Although, like the figures for the total number of borrowers, this figure is not significant in itself, it may, however, suggest a trend. What may be indicated is that although fewer students are securing educational loans from the GSLP, these students are borrowing more money per loan. What there may be then are really two groups of students. One group is still saying, "College Education is important and I want it any way I can get it." The other group is saying, "The job market is not good, I am not sure if college is the place for me, consequently I should not borrow any money." The first group still views the offerings of higher education as a means to a desirable end, a way to find satisfaction in life. The second group is searching for life styles outside the pattern provided by a college education and then a job.

Conclusions

What are the conclusions? The following three statements can be made from analyzing the data:

- 1) Slightly fewer students seem to be borrowing through the GSLP for their education, but not to a significant degree.
- 2) The total percent of borrowers in the student population is decreasing, but not to a significant degree.
- 3) Although fewer students are borrowing through the GSLP, those who do borrow are borrowing slightly more money per loan, but not to any significant degree.

All of the above information is statistically inconclusive, but, be that as it may, it still seems to tell a story. Every person involved with the Guaranteed Student Loan Program may have dealt with the myriad of changes for no valid reason. All of the difficulties which students, financial aid officers, and student loan officers faced and overcame, may have been futile if no real changes have taken place. "Irony" defines a situation where that which seems to be is not necessarily that which is. The apparent is not the real. There may be an ironic situation in that modifications have occurred but they have not altered the total Guaranteed Student Loan Program.

There appears then no conclusive evidence that leads to a conclusion that the changes in the Guaranteed Student Loan Program have helped or hurt students. In fact, it may be that these changes have benefited the students in the long run by making loans available to students who will ultimately finish their academic programs, find employment, and repay their loans. But that is a subject for future discussion when more of the facts are available.